



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MASON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MASON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Mason County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances decreased by \$3,442,658 from the prior fiscal year, resulting in a cash surplus of \$5,194,273 as of June 30, 2000.

Debt Obligations:

Total bond debt principal as of June 30, 2000, was \$7,460,000. Future collections of \$12,103,127 are needed over the next 27 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$1,215,047 as of June 30, 2000.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable James L. Gallenstein, Mason County Judge/Executive

Members of the Mason County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Mason County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Mason County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Mason County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided for in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Mason County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 2000, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable James L. Gallenstein, Mason County Judge/Executive
Members of the Mason County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Mason County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2001, on our consideration of Mason County, Kentucky's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grants.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 24, 2001

MASON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

James L. Gallenstein	County Judge/Executive
Patrick McKay IV	Commissioner
F. J. Finn	Commissioner
Jack West	Commissioner

Other Elected Officials:

John Estill	County Attorney
Roger Case	Jailer
Frances Cotterill	County Clerk
Edward Tolle	Circuit Court Clerk
Tony Wenz	Sheriff
Betty Hester	Property Valuation Administrator
Robert Brothers	Coroner

Appointed Personnel:

Peggy Heflin	County Treasurer
Kim Muse	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

MASON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 1,415,428	
Road and Bridge Fund:		
Cash	333,580	
Jail Fund:		
Cash	358,864	
Local Government Economic Assistance Fund:		
Cash	421,728	
Payroll Revolving Account - Cash	33,349	
Christmas Withholding Account - Cash	<u>11,713</u>	\$ 2,574,662

Special Revenue Fund Type

Solid Waste Fund:

Cash	\$ 27,352	
Landfill Fund:		
Cash	<u>1,835,660</u>	1,863,012

Debt Service Fund Type

Public Properties Corporation Fund:

Cash	\$ 187,635	
Investments	<u>614,026</u>	801,661

Other Resources

Special Revenue Fund Type

Landfill Fund:

Amounts to be Provided in Future Years for Landfill Capital		
Lease Obligations - Lease Principal Payments		1,215,047

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Assets and Other Resources (Continued)

Other Resources (Continued)

Debt Service Fund Type

Public Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Payments	\$	6,658,339
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Total Assets and Other Resources	\$	13,112,721
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Liabilities and Fund Balances

Liabilities

Special Revenue Fund Type

Landfill Fund:

Capital Lease Principal Payable (Note 4)	\$	1,215,047
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General Fund Type

Payroll Revolving Account	\$	33,349	
Christmas Withholding Account		11,713	45,062

Debt Service Fund Types

Public Properties Corporation Fund:

Bonds Not Matured (Note 6)		7,460,000
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Fund Balances

Reserved:

Special Revenue Fund Type

Landfill Fund - Closure (Note 7)		1,207,198
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The accompanying notes are an integral part of the financial statements.

MASON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances (Continued)

Unreserved:

General Fund Type

General Fund	\$	1,415,428	
Road and Bridge Fund		333,580	
Jail Fund		358,864	
Local Government Economic Assistance Fund		<u>421,728</u>	\$ 2,529,600

Special Revenue Fund Type

Solid Waste Fund	\$	27,352	
Landfill Fund		<u>628,462</u>	<u>655,814</u>

Total Liabilities and Fund Balances			<u><u>\$ 13,112,721</u></u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MASON COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 6,110,162	\$ 1,949,470	\$ 700,047	\$ 1,151,410
Transfers In	383,053			
Total Cash Receipts	<u>\$ 6,493,215</u>	<u>\$ 1,949,470</u>	<u>\$ 700,047</u>	<u>\$ 1,151,410</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 5,932,172	\$ 1,851,405	\$ 767,649	\$ 1,304,120
Transfers Out	383,053	219,568		162,850
Public Properties Corporation Fund Expenditures	2,801,254			
Bonds:				
Principal Paid	200,000			
Interest Paid	225,039			
Lease Principal	374,355		14,926	
Total Cash Disbursements	<u>\$ 9,915,873</u>	<u>\$ 2,070,973</u>	<u>\$ 782,575</u>	<u>\$ 1,466,970</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (3,422,658)	\$ (121,503)	\$ (82,528)	\$ (315,560)
Cash Balance - July 1, 1999*	<u>8,616,931</u>	<u>1,536,931</u>	<u>416,108</u>	<u>674,424</u>
Cash Balance - June 30, 2000*	<u>\$ 5,194,273</u>	<u>\$ 1,415,428</u>	<u>\$ 333,580</u>	<u>\$ 358,864</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

General Fund Types	Special Revenue Fund Types		Debt Service Fund Types
Local Government Economic Assistance Fund	Solid Waste Fund	Landfill Fund	Public Properties Corporation Fund
\$ 517,676	\$ 154,800 76,068	\$ 1,560,815	\$ 75,944 306,985
\$ 517,676	\$ 230,868	\$ 1,560,815	\$ 382,929
\$ 684,825 635	\$ 202,795	\$ 1,121,378	\$
			2,801,254
			200,000 225,039
5,000	19,589	334,840	
\$ 690,460	\$ 222,384	\$ 1,456,218	\$ 3,226,293
\$ (172,784) 594,512	\$ 8,484 18,868	\$ 104,597 1,731,063	\$ (2,843,364) 3,645,025
\$ 421,728	\$ 27,352	\$ 1,835,660	\$ 801,661

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Mason County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Mason County Public Properties Corporation as part of the reporting entity.

Additional – Mason County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Mason County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are subjected by oversight of state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. A list of Mason County Fiscal Court's Fund Types, a definition of each, and a list of county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Mason County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA).

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Solid Waste Fund and the Landfill Fund of the Mason County Fiscal Court are reported as a Special Revenue Fund Type.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Mason County Public Properties Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided for in future years.

D. Legal Compliance - Budget

The Mason County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Mason County Public Properties Fund (Debt Service Fund) because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of Investments	Category 1	Category 2	Category 3	Carrying Amount	Market Value
Federal Mortgage Note	\$ 404,986	\$	\$	\$ 404,986	\$ 404,986
Federal National Mortgage Note	209,040			209,040	209,040
Totals	\$ 614,026	\$	\$	\$ 614,026	\$ 614,026

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Capital Lease Agreement

Mason County entered into a lease agreement, with Fifth Third Bank of Central Kentucky, for landfill construction. The agreement requires a semi-annual payment of \$74,906, which includes 5.67 percent interest through and including June 1, 2001, and thereafter for each succeeding five year period at a rate equal to the five-year interest rate for U.S. Treasury Obligations, as published by the lessor's treasury department, plus 227 basis points multiplied by .65, as calculated on June 1, 2001, and June 1, 2006. It is to be paid in full, June 1, 2011. The principal balance of the agreement is \$1,215,047, as of June 30, 2000.

Note 5. Lease Agreements

- a) Mason County entered into a lease agreement with Kentucky Association of Counties Leasing Trust (KACO), for waterlines, for Buffalo Trail Association. Mason County became the lessor and Buffalo Trail Water Association the lessee, Mason County being the pass-through for the lease agreement, payments being made by Buffalo Trail Water Association to Mason County, who forward them on to Bank One. The original lease was \$85,000, with monthly interest payments due at 5.624 percent, and yearly principal payments in various amounts due January 22 for fifteen (15) years, to be paid in full February 1, 2010. The total principal balance of the agreement is \$63,000, as of June 30, 2000.
- b) Mason County entered into a lease purchase agreement with Security Bank and Trust Company, September 17, 1998, for the purchase of a packer truck for solid waste. The lease is for \$33,000 with quarterly payments starting December 15, 1998, of \$3,508 each. Interest expense is calculated quarterly at 4.45%. The lease is to be paid in full March 15, 2001. The total principal balance is \$10,291, as of June 30, 2000.
- c) Mason County entered into lease purchase agreement with Security Bank and Trust Company, on June 18, 1998, for a tractor and mower for the road department and a loader for the solid waste department. The lease is for \$64,020, with quarterly payments, of \$5,729, starting September 18, 1998. Interest expense is calculated quarterly at 4.45%. The lease is to be paid in full June 18, 2001. The total principal balance is \$22,292, as of June 30, 2000.
- d) Mason County entered into a lease purchase agreement November 9, 1998, with Ford Motor Company for a 1999 Ford Econoline van. The lease is for \$21,006 with four yearly payments of \$5,765 each. The lease is to be paid in full November 9, 2001. The principal balance is \$10,482, as of June 30, 2000.
- e) Mason County entered into a lease purchase agreement with Kentucky Area Development Districts Financing Trust on May 20, 1999, for landfill construction. The lease is for \$300,000 at 4.57% interest rate. Payments are due semi-annually with the first payment due November 20, 1999. The principal balance is \$97,900, as of June 30, 2000.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 6. Long-Term Debt

- a) In February 1998, the Mason County Public Properties Corporation issued \$1,880,000 first mortgage refunding revenue bonds for the purpose of paying the outstanding principal and interest of the Mason County, Kentucky Public Properties Corporation first mortgage revenue bonds, Series 1991 (the "prior bonds") through and including June 1, 2001, and redeeming the prior bonds on June 1, 2001. Principal payments are due each year on June 1, in the amounts indicated below. Interest on the bonds is payable each June 1, and December 1, beginning June 1, 1998. The total principal balance is \$1,595,000 as of June 30, 2000.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2000 - 2001	\$ 72,675	\$ 100,000
2001 - 2002	68,175	105,000
2002 - 2003	63,450	115,000
2003 - 2004	58,275	120,000
2004 - 2005	52,875	125,000
2005 - 2012	<u>198,360</u>	<u>1,030,000</u>
Total	<u>\$ 513,810</u>	<u>\$ 1,595,000</u>

- b) In May 1998, the Mason County Public Properties Corporation issued \$5,970,000 first mortgage revenue bonds in order to construct a new court facility. The principal payments are due each year on March 1, starting March 1, 2000, in the amounts indicated below. Interest on the bonds is payable each September 1, and March 1, beginning September 1, 1998. The total principal balance is \$5,865,000 as of June 30, 2000.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2000 - 2001	\$ 291,058	\$ 110,000
2001 - 2002	285,696	115,000
2002 - 2003	280,090	120,000
2003 - 2004	274,240	125,000
2004 - 2005	268,116	130,000
2005 - 2027	<u>3,531,778</u>	<u>5,265,000</u>
Total	<u>\$ 4,930,978</u>	<u>\$ 5,865,000</u>

MASON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 6. Long-Term Debt (Continued)

Long-Term debt service requirements for fiscal year ending June 30, 2001, are:

Principal	\$	210,000
Interest		<u>363,733</u>
Total	\$	<u>573,733</u>

Total Mason County Public Properties Corporation bonds outstanding are \$7,460,000.

- c) In March 1999, Mason County Public Properties Corporation entered into a note with Kentucky Housing Corporation, for rehabilitation of housing for the elderly. The note is for \$135,366 with interest at the rate of 2.00% per annum. Principal and interest are to be repaid in twenty equal, consecutive annual installments of \$8,279 each, commencing on July 1, 2000, and continuing annually thereafter on the first day of July until the maturity date on July 1, 2019. The total principal balance is \$135,366 as of June 30, 2000.
- d) In December 1998, Mason County Public Properties Corporation entered into a note with Buffalo Trace Area Development District, for rehabilitation of housing for the elderly. The note is for \$42,000 with interest at the rate of 2.00% per annum. Principal and interest are to be repaid in twenty equal, consecutive annual installments of \$2,569 each, commencing on September 30, 2000, and continuing annually thereafter on the 30th of September until the maturity date on September 30, 2019. The total principal balance is \$42,000 as of June 30, 2000.

Note 7. Landfill Closure and Post Closure Costs

KAR 48:310 Section 2 and 3 requires the owner or operator of a landfill to have a detailed written estimate, in current dollars the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan.

Through an interlocal agreement between the City of Maysville and the Mason County Fiscal Court, the Mason County Fiscal Court manages the operation and accounts for the Maysville-Mason County Landfill. The landfill consists of two landfill cells.

- a) The old 21.5-acre residual cell stopped receiving household garbage on June 30, 1995, but will continue to operate until the remaining capacity is used. This cell's capacity used is about 92% completed and the estimated remaining life is approximately 13.3 years (4,867 days). It is estimated the closure cost for this cell will be \$1,711,000 and post closure cost will be \$8,840 a year for a period of thirty years.
- b) The new 41.0-acre contained cell has been operational since January 30, 1997. This cell's capacity used is about 6% completed and the estimated remaining life is approximately 53.7 years (19,601 days). It is estimated the closure cost for this cell will be \$4,363,500 and post closure cost will be \$23,000 a year for a period of thirty years.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 7. Landfill Closure and Post Closure Costs (Continued)

Mason County is required to collect and segregate fifteen percent (15%) of all gross receipts of the landfill and account for it in a restricted Closure Fund. The balance of the Closure Fund at June 30, 2000, is \$1,207,198. Post closure will be jointly funded by the City of Maysville and the Mason County Fiscal Court.

The estimates above are based on information as of audit date and can be altered based on inflation/deflation, technology, and laws and regulations.

Note 8. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 68.210 requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide additional accounting and expenditure guidance for acceptable jail canteen operations.

During the fiscal year ending, June 30, 2000, the Mason County Jail Canteen received \$233,637 and expended \$230,711. The Jail Canteen reported June 30 ending balances of \$21,085 and \$24,011 for 1999 and 2000 respectively. All profit expenditures were for the benefit and/or recreation of the inmates.

Note 9. Subsequent Event

Mason County Jailer Roger Case submitted his resignation, effective August 1, 2000. Marty Wallingford was appointed interim-jailer from August 1, 2000 until November 14, 2000. Robert Tribby was elected the Mason County Jailer and took office on November 14, 2000.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MASON COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,216,663	\$ 1,949,470	\$ 732,807
Road and Bridge Fund	728,200	700,047	(28,153)
Jail Fund	1,367,073	1,151,410	(215,663)
Local Government Economic Assistance Fund	537,740	517,676	(20,064)
<u>Special Revenue Fund Type</u>			
Solid Waste Fund	284,700	154,800	(129,900)
Landfill Fund	<u>1,251,000</u>	<u>1,560,815</u>	<u>309,815</u>
Totals	<u>\$ 5,385,376</u>	<u>\$ 6,034,218</u>	<u>\$ 648,842</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 5,385,376
Add: Budgeted Prior Year Surplus			4,971,907
Less: Other Financing Uses			<u>(681,340)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 9,675,943</u>

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SCHEDULE OF OPERATING REVENUE

MASON COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

	<u>Governmental Fund Type</u>			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
REVENUE:				
Taxes	\$ 1,195,130	\$ 1,195,130	\$	\$
In Lieu Tax Payments	37,908	37,908		
Excess Fees	130,194	130,194		
License and Permits	11,812	9,839	1,973	
Intergovernmental Revenues	2,645,276	2,645,276		
Charges for Services	1,517,201	24,703	1,492,498	
Miscellaneous Revenues	378,524	221,925	156,229	370
Interest Earned	194,117	53,628	64,915	75,574
Total Operating Revenue	<u>\$ 6,110,162</u>	<u>\$ 4,318,603</u>	<u>\$ 1,715,615</u>	<u>\$ 75,944</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MASON COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	General Fund Type		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 943,270	\$ 788,887	\$ 154,383
Protection to Persons and Property	1,319,283	1,056,109	263,174
General Health and Sanitation	205,463	134,015	71,448
Social Services	87,900	41,504	46,396
Recreation and Culture	143,740	135,771	7,969
Roads	852,572	715,589	136,983
Airports	7,725	7,725	
Bus Service	25,000	23,073	1,927
Debt Service	29,947	10,586	19,361
Capital Projects	834,039	760,881	73,158
Administration	2,295,802	933,825	1,361,977
Total Operating Budget - All General Fund Types	\$ 6,744,741	\$ 4,607,965	\$ 2,136,776
Other Financing Uses:			
Transfers to Public Property			
Corporation Fund	306,985	306,985	
Lease Agreements-			
Principal on Lease	19,926	19,926	
TOTAL BUDGET - ALL GENERAL FUND TYPES	\$ 7,071,652	\$ 4,934,876	\$ 2,136,776

MASON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2000
 (Continued)

Expenditure Categories	Special Revenue Fund Type		
	Final Budget	Budgeted Expenditures	(Over) Budget
General Health and Sanitation	\$ 1,233,527	\$ 834,257	\$ 399,270
Debt Service	91,911	88,600	3,311
Capital Projects	310,500	265,711	44,789
Administration	1,295,264	135,639	1,159,625
Total Operating Budget - All Special Revenue Fund Types	\$ 2,931,202	\$ 1,324,207	\$ 1,606,995
Lease Agreements- Principal on Lease	354,429	354,429	
TOTAL BUDGET - ALL SPECIAL REVENUE FUND TYPES	<u>\$ 3,285,631</u>	<u>\$ 1,678,636</u>	<u>\$ 1,606,995</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable James L. Gallenstein, Mason County Judge/Executive
Members of the Mason County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Mason County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated January 24, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mason County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mason County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable James L. Gallenstein, Mason County Judge/Executive
Members of the Mason County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 24, 2001

CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

MASON COUNTY FISCAL COURT

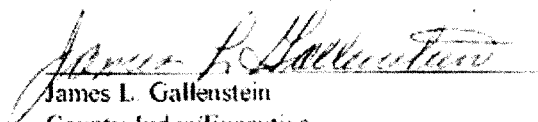
Fiscal Year Ended June 30, 2000

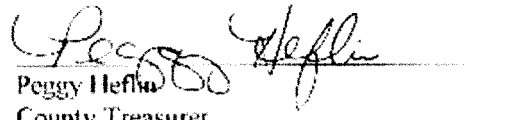
Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MASON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Mason County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes


James L. Gallenstein
County Judge/Executive


Peggy Heflin
County Treasurer